

Consolidated Financial Statements and
Supplementary Information Together
with Report of Independent Certified
Public Accountants

**National Multiple Sclerosis Society and
Affiliate**

September 30, 2024, with
summarized comparative information for the
year ended September 30, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
National Multiple Sclerosis Society:

Opinion

We have audited the consolidated financial statements of National Multiple Sclerosis Society and Affiliate (collectively, the "Society"), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as of September 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements of the Society as of and for the year ended September 30, 2024, taken as a whole. The consolidating schedule of financial position as of September 30, 2024 and consolidating schedule of activities for the year ended September 30, 2024 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2023 summarized comparative information

We have previously audited the Society's 2023 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 2, 2024. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
March 3, 2025

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2024, with summarized comparative information as of September 30, 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,733,586	\$ 45,147,637
Contributions receivable, net	7,777,489	10,861,584
Investments	85,202,008	73,476,676
Beneficial interests in trusts	25,000,000	-
Prepaid expenses and other current assets	6,814,676	5,170,262
Total current assets	147,527,759	134,656,159
Contributions receivable, net	3,216,187	5,317,651
Property and equipment, at cost, net of accumulated depreciation	3,885,974	3,025,924
Operating lease right-of-use assets	9,239,016	12,149,173
Investments - donor restricted	24,804,433	21,717,608
Investments related to charitable gift annuities	2,000,648	2,144,909
Beneficial interests in trusts, net of current portion	4,509,660	2,354,880
Other non-current assets	5,934,086	2,863,210
Total assets	\$ 201,117,763	\$ 184,229,514
LIABILITIES AND NET ASSETS		
Current liabilities		
Grants payable	\$ 24,049,274	\$ 24,307,666
Accounts payable and accrued liabilities	14,142,448	14,683,244
Deferred revenue	8,624,082	6,422,973
Due to Progressive MS Alliance	14,564,199	13,687,461
Lease liabilities	3,766,808	4,070,566
Other current liabilities	260,469	342,474
Total current liabilities	65,407,280	63,514,384
Obligations to annuitants, net of current portion	1,308,174	1,471,377
Lease liabilities, net of current portion	6,784,236	9,701,142
Other non-current liabilities	125,000	3,762
Total liabilities	73,624,690	74,690,665
Net assets		
Without donor restrictions	54,418,000	59,017,006
With donor restrictions	73,075,073	50,521,843
Total net assets	127,493,073	109,538,849
Total liabilities and net assets	\$ 201,117,763	\$ 184,229,514

The accompanying notes are an integral part of this consolidated financial statement.

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2024, with summarized comparative information for the year ended September 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue				
Public support				
Special events contributions	\$ 102,817,931	\$ 1,125	\$ 102,819,056	\$ 102,793,005
Contributed event services and goods	726,329	-	726,329	814,040
Total special events revenue - gross	103,544,260	1,125	103,545,385	103,607,045
Less: cost of direct benefits to donors	(23,558,193)	-	(23,558,193)	(22,495,902)
Net special events	79,986,067	1,125	79,987,192	81,111,143
Contributions from individuals, corporations, and foundations	44,489,104	2,361,598	46,850,702	47,603,942
Bequests and trust income	9,018,789	26,958,805	35,977,594	15,036,544
Contributed public service announcements, services, and goods	10,086,312	-	10,086,312	12,902,538
Total public support	143,580,272	29,321,528	172,901,800	156,654,167
Advertising and other income	2,178,388	-	2,178,388	2,495,134
Investment income, net designated for operations	687,727	2,796,661	3,484,388	2,647,943
Net assets released from restrictions	12,811,044	(12,811,044)	-	-
Total operating revenue	159,257,431	19,307,145	178,564,576	161,797,244
Operating expenses				
Program services				
Research and scientific studies	31,236,043	-	31,236,043	33,877,848
Client and community services	47,323,264	-	47,323,264	49,283,832
Public education	44,215,067	-	44,215,067	47,512,641
Professional education and training	6,566,150	-	6,566,150	7,265,730
Total program services	129,340,524	-	129,340,524	137,940,051
Supporting services				
Fundraising	34,737,323	-	34,737,323	32,536,510
Management and general	14,792,270	-	14,792,270	15,032,054
Total supporting services	49,529,593	-	49,529,593	47,568,564
Total operating expenses	178,870,117	-	178,870,117	185,508,615
Change in net assets from operations	(19,612,686)	19,307,145	(305,541)	(23,711,371)
Non-operating activities				
Investment returns, net	14,894,045	2,942,179	17,836,224	8,727,155
Change in fair value of beneficial interest in trusts	-	379,089	379,089	229,862
Change in value of split-interest agreements	-	(75,183)	(75,183)	(130,020)
Other non-operating income	119,635	-	119,635	29,432
Total non-operating activities	15,013,680	3,246,085	18,259,765	8,856,429
CHANGE IN NET ASSETS	(4,599,006)	22,553,230	17,954,224	(14,854,942)
Net assets, beginning of year	59,017,006	50,521,843	109,538,849	124,393,791
Net assets, end of year	\$ 54,418,000	\$ 73,075,073	\$ 127,493,073	\$ 109,538,849

The accompanying notes are an integral part of this consolidated financial statement.

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended September 30, 2024, with summarized comparative information
for the year ended September 30, 2023**

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 17,954,224	\$ (14,854,942)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(17,512,397)	(7,225,738)
Depreciation and amortization	1,025,421	811,095
Lease amortization	4,583,081	6,601,477
Change in value of split-interest agreements	75,183	130,020
Changes in:		
Contributions receivable	5,185,559	(2,739,026)
Beneficial interests in trusts	(27,154,780)	(206,017)
Prepaid expenses and other assets	(4,715,290)	(1,844,228)
Grants payable	(258,392)	(763,908)
Accounts payable and accrued expenses	(540,796)	(498,192)
Deferred revenue	2,201,109	(64,192)
Due to Progressive MS Alliance	876,738	3,048,095
Lease liabilities	(4,893,588)	(6,600,801)
Other liabilities	51,893	(176,790)
Liability to annuitants	(251,046)	(133,490)
	(23,373,081)	(24,516,637)
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(1,885,471)	(1,912,228)
Purchase of investments	(17,586,543)	(44,036,974)
Proceeds from sales of investments	20,431,044	45,189,237
	959,030	(759,965)
Net cash provided by (used in) investing activities		
	(22,414,051)	(25,276,602)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	45,147,637	70,424,239
Cash and cash equivalents, beginning of year		
	\$ 22,733,586	\$ 45,147,637
Cash and cash equivalents, end of year		
	\$ 1,672,924	\$ 3,587,483
Supplemental disclosure of non-cash financing transactions:		
Right-of-use lease assets obtained in exchange for new operating lease liabilities	\$ 1,672,924	\$ 3,587,483

The accompanying notes are an integral part of this consolidated financial statement.

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2024, with summarized comparative information for the year ended September 30, 2023

	Program Activities					Supporting Services			Direct Donor Benefits	Year Ended 2024	Year Ended 2023
	Research and Scientific Studies	Client and Community Services	Public Education	Professional Education and Training	Total	Fundraising	Management and General	Total			
Salaries, payroll taxes, and benefits	\$ 3,592,690	\$ 33,460,274	\$ 26,863,070	\$ 3,125,188	\$ 67,041,222	\$ 16,377,788	\$ 10,876,964	\$ 27,254,752	\$ -	\$ 94,295,974	\$ 89,227,933
Awards, grants, and prizes	25,796,062	2,969,223	6,042	1,851,653	30,622,980	13,607	3,513	17,120	3,034,134	33,674,234	39,385,414
Contributed public service announcements, services, and goods	514,901	121,961	8,499,187	2,391	9,138,440	938,365	9,506	947,871	726,329	10,812,640	13,716,579
Professional fees	457,228	6,346,012	3,843,429	892,689	11,539,358	5,733,536	1,916,730	7,650,266	857,913	20,047,537	19,413,613
Occupancy	147,994	2,040,312	1,606,098	183,673	3,978,077	1,121,948	694,219	1,816,167	5,280,881	11,075,125	11,115,644
Conferences, meetings, and travel	595,368	689,257	221,699	220,593	1,726,917	637,061	77,442	714,503	9,204,102	11,645,522	13,994,418
Printing, publication, and postage	12,096	220,352	1,905,074	50,590	2,188,112	3,678,168	613,791	4,291,959	-	6,480,071	7,277,424
Credit card fees and bank fees	171	23,114	1,201	194	24,680	3,235,856	47,723	3,283,579	-	3,308,259	2,672,905
Depreciation and amortization	26,385	360,453	285,067	32,522	704,427	198,406	122,587	320,993	-	1,025,420	811,095
Other	93,148	1,092,306	984,200	206,657	2,376,311	2,802,588	429,795	3,232,383	4,454,834	10,063,528	10,189,492
Total expenses	31,236,043	47,323,264	44,215,067	6,566,150	129,340,524	34,737,323	14,792,270	49,529,593	23,558,193	202,428,310	208,004,517
Less: Cost of direct benefits to donors	-	-	-	-	-	-	-	-	(23,558,193)	(23,558,193)	(22,495,902)
Total expenses as reported on the consolidated statement of activities	<u>\$ 31,236,043</u>	<u>\$ 47,323,264</u>	<u>\$ 44,215,067</u>	<u>\$ 6,566,150</u>	<u>\$ 129,340,524</u>	<u>\$ 34,737,323</u>	<u>\$ 14,792,270</u>	<u>\$ 49,529,593</u>	<u>\$ -</u>	<u>\$ 178,870,117</u>	<u>\$ 185,508,615</u>

The accompanying notes are an integral part of this consolidated financial statement.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024

NOTE 1 - ORGANIZATION

National Multiple Sclerosis Society and Affiliate (collectively, the “Society”), a national not-for-profit health agency, exists to create a world free of Multiple Sclerosis (“MS”). The Society’s mission is: We will cure MS while empowering people affected by MS to live their best lives. The Society is comprised of a 50-state network with offices across the country and is governed by a national board of directors and supported by local boards of trustees.

The Society is a driving force of MS research and scientific studies which necessitates a comprehensive strategy that can fuel knowledge and speed better treatments, health care policies and new disease and symptom management therapies. To move us ever closer to a world free of MS, the Society, in fiscal 2024 alone, invested \$31.2 million to support 271 new and ongoing research projects around the world. The Society also provides information, connections, and support to the nearly one million people living with MS in the U.S.

For every person affected by MS - those diagnosed with the disease and their loved ones - the Society is determined to be a lifelong partner and resource, whenever there’s a need for reliable information and connections to the right professionals and to others who have walked their own journeys, and continuing as each person makes decisions to live life on their own terms. The Society’s MS Navigators - highly skilled, compassionate professionals - are available from anywhere in the country. MS Navigators are available to provide one-to-one support to people affected by MS throughout their MS journey - connecting them to information, education resources and communities of support, resulting in improved quality of life, increased confidence, and new connections.

The National Multiple Sclerosis Society qualifies as a charitable organization as defined by Internal Revenue Code (“IRC”) Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC section 501(a). Additionally, since the National Multiple Sclerosis Society is publicly supported, contributions qualify for the maximum charitable contribution deduction under the IRC. The Society’s commercial research investment effort, Fast Forward LLC (“Fast Forward”), a consolidated not-for-profit affiliate, derives its tax exemption from National Multiple Sclerosis Society and is treated as a “disregarded entity” for tax purposes.

NOTE 2 - PROGRAM ACTIVITIES

The Society’s mission is accomplished through funding cutting-edge research grants and training programs, driving change through advocacy, collaborating with MS organizations worldwide, and providing information, connections, and support to the MS community. The principal program activities of the Society are:

Research and Scientific Studies

The National MS Society has declared that we will ‘Accelerate Cures through Global Leadership’. Achieving this impact requires a clear vision for the most promising areas of research that will lead to a cure for everyone living with MS. This vision is articulated in the Pathways to Cures Research Roadmap which includes three Pathways: (1) Stopping MS disease activity, (2) Restoring function by reversing damage and symptoms, and (3) Ending MS by preventing new cases. Key objectives in the STOP pathway include early detection and precision medicine. Key objectives in the RESTORE pathway include remyelination and restoration of function. Key objectives in the END pathway include primary prevention (limiting exposures to MS risk factors in the general population) and secondary prevention (focused on individuals at high risk for MS and developing and deploying interventions in the period prior to preclinical/clinical stages of disease to reduce or eliminate the risk for developing MS). International consensus on Pathways to Cures is evidenced by the endorsements for the Roadmap received by MS organizations from around the world.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Also included are costs associated with five types of activities that can be deployed to advance the pathways: Prioritization; Research and workforce investments; Convening and thought leadership; Advocacy; Education and communication.

Client and Community Services

The Society is devoted to empowering people affected by MS to solve everyday challenges and to improving access to personalized, affordable, high-quality MS healthcare. Programs, services, and resources facilitate education, recreation, physical and emotional wellness, provide financial resources and a connection for people living with multiple sclerosis. Also included are costs associated with collaborating with other community organizations, focusing on access to healthcare, rehabilitation, treatments, and therapies; long-term care; disability rights issues; vocational training and rehabilitation, wellness, and fitness; and outreach and education to rural and underserved populations.

Public Education

The Society seeks to expand and deepen the individual and collective experiences of the MS movement. People with MS can better manage their disease when they have the support and understanding of the people around them - from doctors to employers to family members. That is why we work relentlessly to tell the world what it means to live with MS. This includes costs associated with educating the public about multiple sclerosis including the Society's awareness campaigns, public service announcements, and Momentum, which is the Society's flagship magazine distributed quarterly to people living with multiple sclerosis and healthcare providers.

Professional Education and Training

The Society wants scientists and healthcare professionals to be aware of and trained in MS so that the very best expertise worldwide is engaged in finding treatments and solutions for everyone with MS, and to ensure early diagnosis and treatment of MS. This includes activities and programs designed to improve the knowledge, skills and critical judgment of scientists, physicians and other healthcare professionals engaged (directly or indirectly) in providing services to people living with MS by keeping them abreast of new diagnostic techniques and therapies.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements consist of the accounts of National Multiple Sclerosis Society and Fast Forward, a not-for-profit limited liability company of which National Multiple Sclerosis Society is the sole member.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the amounts of revenues and expenses during the reporting period, the most significant of which include the fair values assigned to certain financial instruments; the collectability of contributions receivable; the fair value of contributed public service announcements; the useful lives assigned to property and equipment; the amortization periods for cloud software; the discount rate utilized in calculating lease assets and liabilities; and the functionalization of expenses. Actual results could differ from those estimates.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with U.S. GAAP. Accordingly, all significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Society classifies its net assets in the following categories:

Net Assets Without Donor Restrictions - Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for the Society to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specified purposes by the Society's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets With Donor Restrictions - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require the Society to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions whose restrictions are met during the same fiscal year in which the contribution was recognized are presented as revenues without donor restrictions on the accompanying consolidated statement of activities.

Net assets with donor restrictions also includes the corpus of gifts which must be maintained in perpetuity but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Revenue Recognition

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Society recognizes revenue when control of the promised goods or services are transferred in an amount that reflects the consideration the Society expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Society recognizes contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

The Society recognizes revenue from contributions, grants, and contracts in accordance with guidance under which the Society evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Society applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before being entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Contributions (including unconditional promises to give) are recorded as revenue at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as support with donor restrictions. Unconditional promises to give, with payments due in future years, are reported as support with donor restrictions, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discount rates are not subsequently revised. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions.

Special event, contribution, and advertising revenues are recorded on an accrual basis as earned.

Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.

Fast Forward receives contributions under separate collaboration agreements with other not-for-profit organizations to fund certain Sponsored Research Agreements (“SRAs”) entered with certain organizations for the purpose of conducting specified research and development and therapeutic strategies for multiple sclerosis (“R&D”) activities. Amounts received, which are refundable to the related not-for-profit organizations if not spent for the specified activities, are recorded as support when the activities have been performed or expenditures have been incurred by the recipient organizations.

Functional Allocation of Expenses

The Society’s expenses have been summarized on a functional basis in the consolidated statement of activities. Expenses that are specifically associated with programmatic activity or supporting service are allocated to that activity. Employee costs are allocated based on the employee time attributed to each programmatic activity or supporting service. Costs associated with the development and distribution of mail pieces that include a call to action along with a fundraising component, as described in the Joint Costs section below in Note 3, are allocated based on the proportion of space used for each purpose. Supporting services costs are allocated based on a weighted average of employee costs attributed to each programmatic activity or supporting service, supporting services includes board governance and oversight; accounting, internal controls, and information technology processes; general infrastructure costs; and the cost of fundraising.

Joint Costs

The Society accounts for costs of activities that include both a fundraising appeal and informational content (“joint costs”) in accordance with standards incorporated in the ASC of the FASB. In fiscal year 2024 the Society incurred joint costs of approximately \$5.1 million for information materials and activities that included fundraising appeals.

These costs have been allocated as follows for the year ended September 30, 2024:

Fundraising	\$ 3,799,900
Management and general	668,475
Public education	<u>608,713</u>
Total	<u>\$ 5,077,088</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Research Grants

The Society follows guidance which requires the Society to determine whether a transfer of assets is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or referenced document) includes both, the Society, as the resource provider/grantor, would not record research grant expense until such barriers are overcome. The Society has determined that resources provided through research grants are not exchange contracts, and therefore has treated the transfer of assets as grant expense.

Research grants, which are generally awarded for three to five years, are recognized in accordance with defined payment schedules, and as the related conditions on which they depend are met. Research grants are subject to revocation rights by the Society and the continued qualification of grantees, among other criteria (barriers). Accordingly, grant conditions are evaluated annually. Society policy regarding the recognition of grants payable is to include only those amounts for which a specific grantee is identified, and the respective grant has been approved by the Society's President and Chief Executive Officer.

Payments made under SRAs are recognized as an expense, as services or R&D activities are performed by the funded entities in accordance with the terms of the respective SRA. Funding commitments by Fast Forward, for which future payments are conditioned upon achieving certain stipulated milestones, as set forth in the respective SRA, are not recognized in the consolidated financial statements.

Concentration of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market, and credit risks. To manage such risks, the Society has a diversified investment portfolio in a variety of asset classes managed by an independent investment manager under the terms of an Investment Policy Statement which is regularly reviewed by the Investment Committee. The Society's cash, cash equivalents and investments are placed with high-credit quality financial institutions. The Society's Investment Committee meets at least quarterly to evaluate the investments, including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying consolidated financial statements can vary substantially from year to year. The Society maintains its cash in various bank deposit accounts that exceed federally insured limits; however, the Society does not anticipate nonperformance by these financial institutions.

Cash and Cash Equivalents

The Society considers highly liquid investments with original maturities of three months or less from the date purchased, other than those held in the investment portfolio, to be cash equivalents. On September 30, 2024, substantially all the Society's cash and cash equivalents were on deposit with one financial institution.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Contributions Receivable

On September 30, 2024, the Society's contributions receivable, net, consist of the following:

Amounts expected to be collected:	
In less than one year	\$ 8,283,632
Less: allowance for doubtful accounts	<u>(506,143)</u>
Net contributions receivable - current	7,777,489
One to three years	3,356,818
Less: discount to present value	<u>(140,631)</u>
Net contributions receivable - long term	<u>3,216,187</u>
Total	<u>\$ 10,993,676</u>

Long-term contributions receivable are discounted using rates ranging from 2.99% to 4.81%.

The Society maintains an allowance for doubtful accounts for estimated losses that may result from the inability of donors or advertisers to make payments. Such allowances are based on several factors, including but not limited to, historical collection experience, and the financial condition of its markets, donors or advertisers. Accounts are written off when deemed to be uncollectible.

Investments and Investment Return

The Society has classified its investment funds on the accompanying consolidated statement of financial position as follows:

Investments

Consists primarily of the Society's Stability Reserves, which are maintained to ensure financial stability during unanticipated financial circumstances. Expenditures of these investments are authorized by the Finance Committee of the Board of Directors.

Investments - Donor Restricted

Consists of funds with donor-imposed restrictions to be held in perpetuity as well as the accumulated investment earnings thereon and funds subject to the satisfaction of donor-imposed purpose or time restrictions.

Investments Related to Charitable Gift Annuities

Investments held in relation to charitable gift annuity arrangements entered into with donors.

Investments in mutual funds and equity securities are reported at fair value, based on published unit values, or quoted market prices in active markets as of the reporting date. Investments in debt securities are carried at fair value, based on measurement inputs derived directly from quoted market prices or observable inputs, such as quoted market prices for similar securities, interest rates, credit risks, and other factors. Donated securities are recorded at their quoted fair values on the date received. Warrants received in connection with the funding of SRAs are stated at their estimated fair value. Income earned from investments, including realized and unrealized gains and losses and interest and dividends, is recorded in the net asset class

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

owning the assets, except for net assets held in perpetuity where the income is recorded as net assets with donor restrictions and then reclassified to net assets without donor restrictions upon appropriation for expenditure by the Board in accordance with the Society's spending rate policy.

Split-Interest Agreements and Beneficial Interest in Trust

Under the Society's charitable gift annuity program, the Society is the beneficiary of a number of split-interest agreements established with donors, whereby the Society controls and invests the donated assets. Payments to donors are based on the payment schedule defined in the signed charitable gift annuity agreement until such time as stated in the agreement (usually upon death of the donor or the donor's designee(s)). At that time, the residual assets are available for use by the Society subject to any restrictions stipulated by the donor. Residual assets may include income generated from investment of donated assets.

The Society records a liability for amounts payable to annuitants, using an actuarial calculation performed at the time of gift. The obligation to the annuitant is accreted to the amount payable to annuitants over their life expectancies and adjustments are made annually for changes in mortality. The Society's liability to annuitants at September 30, 2024 is based on the discount rate at the time of the gift, ranging from 0.6% to 7.6% per annum and totaled \$1,555,522, of which \$1,308,174 is reflected within the consolidated statement of financial position as obligations to annuitants for the non-current portion and \$247,348 is included within other current liabilities for the current portion. State-mandated reserves related to these arrangements are maintained at required levels.

In situations where the assets are controlled and invested by an independent third party, the Society records a beneficial interest in trust and contribution revenue for its share of the assets at fair value based on the present value of the estimated future distributions to be received by the Society over the expected term of the respective agreements. The Society's beneficial interest in trusts on September 30, 2024, total \$29,509,660 (refer to Note 5 for further details).

Property and Equipment

Property and equipment are carried at cost, if purchased, or if donated, at fair value at the date of gift, less accumulated depreciation, and amortization. The Society capitalizes property and equipment with a purchase price at or above \$5,000, with a useful life of greater than one year. Depreciation is computed over the estimated useful lives of the assets, ranging from three to seven years, using the straight-line method. Amortization of leasehold improvements is provided on the straight-line method over the lesser of their estimated useful lives or the terms of the related lease.

Progressive MS Alliance

The Progressive MS Alliance (the "Alliance") is an international collaboration of MS organizations and other stakeholders. The Society is the lead agency and a managing member, along with Associazione Italiana Sclerosi Multipla (Italy), MS Australia, Multiple Sclerosis International Federation, MS Society (United Kingdom), and the Multiple Sclerosis Canada. The Alliance is open to MS organizations from around the world and is continually seeking new member organizations from the global MS community. The Alliance has made a joint commitment to accelerate the development of treatment for progressive MS. The Alliance has three priority objectives which include:

- Understand, prevent, and reverse progression;
- Speed up and improve clinical trials; and
- Improve well-being through proven therapeutic approaches.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Our focus and mission remain clear: to accelerate the development of effective treatments for people with multiple sclerosis worldwide. The Alliance invests in research that advances our understanding of progressive MS, identifies potential new treatments, and creates tools to speed up and improve clinical trials.

As a managing member, the Society contributed \$14,331,769 through fiscal 2024 and has committed \$558,036 over the next year, conditional on various factors. In addition, as the lead agency, the Society maintains custody of the pooled funds contributed from other Alliance members. The disbursement of funds for progressive MS research initiatives is approved by the executive committee, made up of the CEOs of the managing member organizations. The Society received a total of \$2,912,489 during the year ended September 30, 2024, from Alliance members, which will be held until such time the funds are approved for expenditure. As of September 30, 2024, the Society recorded unspent donated funds, consisting of both Society and other Alliance members' monies, totaling \$14,564,199, as a liability.

Leases

The Society determines if an arrangement is a lease or contains a lease at the inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. Leases are also reviewed at inception to establish classification of operating or financing. Leases result in the recognition of assets and lease liabilities on the statement of financial position. Right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

In evaluating its contracts, the Society separately identifies lease and non-lease components, such as fixed service fees, in calculating the ROU assets and lease liabilities. The Society has elected the practical expedient not to separate lease and non-lease components and classifies the contract as a lease if the fixed costs in the contract for both lease and non-lease components exceed \$5,000.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid, or deferred rent, and lease incentives. The Society has made a policy election to use a risk-free rate per U.S. Treasury instrument for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The Society has leases with fixed and variable payments. Variable leases are most commonly in the form of common area maintenance charges which are based on actual costs incurred. These variable payments were excluded from the ROU asset and liability balances since they are not fixed or in-substance fixed payments.

Lease agreements held by the Society do not contain any material residual value guarantees or material restrictive covenants. The lease term may include options to extend or to terminate the lease that the Society is reasonably certain to exercise. Lease expense is recognized on a straight-line basis over the lease term and the Society has elected not to record leases with an initial term of 12 months or less on its statement of financial position.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Donated Goods and Services

For the year ending September 30, 2024, the Society recognized donated goods and services within the statement of activities as follows:

Contributed event services and goods:	
Food and beverage	\$ 453,580
Event vehicle usage and other services	43,086
Event facility rental	142,118
Participant incentives and prizes	57,008
Other donated event products	<u>30,537</u>
 Total event contributed event services and goods	 <u>\$ 726,329</u>
 Contributed public service announcements, services, and goods:	
Advertising	\$ 9,396,560
Contributed services	<u>689,752</u>
 Total contributed public service announcements, services, and goods	 <u>10,086,312</u>
 Total	 <u>\$ 10,812,641</u>

A portion of event contributions are used to assist in the successful execution of Society fundraising events and provide the best possible donor experience. Contributed event services and goods were valued at their estimated fair market values as of the date of the contribution. Contributions were restricted to the specific event and released after the event took place. Event contributions are recorded as special events revenue on the statement of activities and in direct benefit to donors on the accompanying consolidated statement of functional expenses.

Contributed public service announcements, services and goods received are recorded at their estimated fair value as of the date of contribution and are reflected as contributed public service announcements, services, and goods revenue on the accompanying statement of activities.

Donated advertising includes print, radio and television public service announcements. Contributions were used to promote MS Awareness as well as Society Bike and Walk campaigns. Such amounts, which are based upon information provided by third-party media services, are recorded as public education program expense and fundraising expense on the accompanying consolidated statement of functional expenses.

Highly qualified volunteers serving on peer review research committees have donated their time and efforts to the Society. These contributed services, which meet the recognition criteria under U.S. GAAP, are recorded as research expenses on the accompanying consolidated statement of functional expenses.

Numerous volunteers, including members of the Board of Directors, have made significant contributions of their time in furtherance of Society program and support functions. The value of this contributed time does not meet the criteria for recognition as contributed services in accordance with U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Accounting for Uncertainty in Income Taxes

Guidance in “Accounting for Uncertainty in Income Taxes” under the ASC of the FASB clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and, to identify and evaluate other matters that may be considered tax positions. The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. For the year ending September 30, 2024, the Society recorded \$8,600 as a provision for income taxes from unrelated business income activities which is reflected within accounts payable and accrued liabilities on the accompanying consolidated statement of financial position.

Subsequent Events

The Society has evaluated subsequent events through March 3, 2025, the date the consolidated financial statements were available for issuance. The Society is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements, other than the event described in Note 5.

Reclassifications

Certain reclassifications were made to the fiscal 2023 consolidated financial statements in order to conform to the fiscal 2024 presentation. Such reclassifications did not result in a change to total net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2023 consolidated financial statements.

NOTE 4 - SPECIAL EVENTS REVENUE

A summary of the Society’s special events revenue for the year ended September 30, 2024, is as follows:

	<u>Event Revenue</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Event Revenue, Net</u>
Event:			
Bike MS	\$ 51,898,423	\$ (13,347,335)	\$ 38,551,088
Walk MS	33,651,273	(5,956,731)	27,694,542
Dinners, luncheons, and leadership events	14,755,947	(3,753,033)	11,002,914
Other special events	<u>3,239,742</u>	<u>(501,094)</u>	<u>2,738,648</u>
 Total	 <u>\$ 103,545,385</u>	 <u>\$ (23,558,193)</u>	 <u>\$ 79,987,192</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

NOTE 5 - FAIR VALUE MEASUREMENTS

The Society follows guidance for fair value measurements that defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurements, the Society uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs other than quoted prices in an active market, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed; and
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Society considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

The fair values assigned to investments and split-interest arrangements are based on the quoted fair values of the underlying securities as of the measurement date.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

The following table provides the fair value hierarchy of the Society's financial instruments as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, investments - donor restricted, and investments related to charitable gift annuities:				
Equities	\$ 26,813,058	\$ -	\$ -	\$ 26,813,058
Mutual funds	82,518,381	-	-	82,518,381
Money market funds	2,521,170	-	-	2,521,170
Other investments	-	-	154,480	154,480
Total investments reported on the fair value hierarchy	111,852,609	-	154,480	112,007,089
Beneficial interests in trust	-	-	29,509,660	29,509,660
Total	<u>\$ 111,852,609</u>	<u>\$ -</u>	<u>\$ 29,664,140</u>	<u>\$ 141,516,749</u>

Beneficial interests in trust are stated at fair value based on the trust's reporting of the underlying assets as of the reporting date. During the year ended September 30, 2024, the Society recognized a beneficial interest in trust in the amount of \$25,000,000, the underlying assets of which were transferred to the Society in December 2024. Accordingly, the beneficial interest has been reflected within current assets on the accompanying consolidated statement of financial position.

Other investments include stock warrants and shares, which are valued using Level 3 inputs. The valuation is based primarily on the estimation and allocation of enterprise value among the equity classes of each of the issuing companies using acceptable valuation approaches for privately held, early-stage companies, which the Society considers to be reasonable.

Changes in fair value of investments measured with Level 3 inputs are as follows:

	<u>Other Investments</u>	<u>Beneficial Interest in Trust</u>	<u>Total</u>
Balance September 30, 2023	\$ 153,584	\$ 2,354,880	\$ 2,508,464
Additions	-	26,900,000	26,900,000
Distributions/releases	-	(124,309)	(124,309)
Change in fair values	896	379,089	379,985
Balance September 30, 2024	<u>\$ 154,480</u>	<u>\$ 29,509,660</u>	<u>\$ 29,664,140</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

NOTE 6 - INVESTMENT RETURN

The Society's investment advisors adhere to the Board of Directors approved investment policy statement last updated in August 2023. The Society's net investment return consists of \$3,484,388 in operating and \$17,836,224 in non-operating revenue in the accompanying consolidated statement of activities. The components are as follows for the year ended September 30, 2024:

Interest and dividends from investments	\$ 3,444,079
Interest income earned on operating cash deposits	656,745
Net realized and unrealized gains on investments	<u>17,512,397</u>
	21,613,221
Less: investment advisory fees	<u>(292,609)</u>
Total	<u>\$ 21,320,612</u>

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following on September 30, 2024:

Event equipment	\$ 1,756,368
Furniture and fixtures	800,516
Hardware	2,570,552
Leasehold improvements	1,527,792
Software	<u>2,783,792</u>
	9,439,020
Less: accumulated depreciation and amortization	<u>(5,553,046)</u>
Total	<u>\$ 3,885,974</u>

NOTE 8 - EMPLOYEE RETIREMENT PLAN

The Society participates in a 401(k) Plan for all eligible employees of the Society. The Society will match 100% of the first 3% of employee contributions to the plan plus 50% on the next 2% for a maximum Safe Harbor Match contribution of 4% of pay each payroll period. For the fiscal year ended September 30, 2024, 401(k) expenses totaled \$2,299,595.

NOTE 9 - LEASES

The Society leases equipment, office, and storage space throughout the United States with terms expiring on various dates through February 2031 and subject to escalation for real estate tax increases and other building operating expenses.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

The lease cost and other required information relevant to the lease commitments for the year ended September 30, 2024, are:

Lease cost	
Operating lease cost	\$ 4,975,347
Short-term lease cost	424,723
Variable lease cost	883,680
Sublease income	<u>(20,106)</u>
 Total lease cost	 <u>\$ 6,263,644</u>
 Operating cash flows from operating leases	 \$ 5,358,947
 ROU assets, obtained in exchange for new operating lease liabilities	 \$ 1,672,924
 Weighted-average remaining lease term:	
Operating leases	3.2 years
Weighted-average discount rate:	
Operating leases	4.0%

Future minimum payments under the above-described leases are due as follows:

	Lease Payments
	<u> </u>
2025	\$ 4,122,288
2026	3,511,219
2027	2,174,400
2028	605,647
2029	351,745
Thereafter	<u>504,977</u>
 Total future undiscounted lease payments	 11,270,276
 Less: current portion	 (3,766,808)
Less: interest	<u>(719,232)</u>
 Lease liabilities, net of current portion	 <u>\$ 6,784,236</u>

NOTE 10 - RESEARCH AND DEVELOPMENT ACTIVITIES

Research Grants and Fellowship Awards

The Society's program services include funding for research grants and fellowships, and institutional clinician training awards to be conducted in the future, generally over three to five-year periods. These commitments are subject to, among other things, revocation rights by the Society, the continued qualifications of grantees, and the grantees satisfying prior conditions before payment (barriers).

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Outstanding future commitments for research grants and fellowship, and institutional clinician training awards, which are not recorded within grants payable on the accompanying consolidated statement of financial position due to their conditional nature are as follows:

Year Ending September 30,	Research Grants and Fellowships	Institutional Clinician Training Awards	Total
2025	\$ 14,019,102	\$ 732,661	\$ 14,751,763
2026	8,039,664	558,979	8,598,643
2027	2,025,956	87,656	2,113,612
2028	772,164	-	772,164
	Total	\$ 1,379,296	\$ 26,236,182

Commercial Research Grant Funding

Fast Forward enters into SRAs with selected biotechnology companies and academic institutions engaged in research and development projects aimed at identifying and developing therapies and or diagnostics to improve the treatment of MS. Under the SRAs, Fast Forward agrees to provide funding for specified R&D activities, payable as defined milestones are achieved. Fast Forward funds SRAs from the public support it receives from donors or through the Society, and from other funding entities under collaboration agreements. Under certain SRAs, Fast Forward received warrants or options to purchase ordinary shares, preferred stock, or common stock, of the respective R&D companies. In addition, certain SRAs entitle Fast Forward to royalties or milestone payments upon the achievement of specified developmental or commercial milestones for funded projects. No royalties were received by the Society in fiscal year 2024.

In fiscal year 2024, the Society disbursed a total of \$1,948,488 through Fast Forward to funded entities under SRAs, reflected within research expense on the consolidated statement of activities. The total prepaid expense balance associated with the Fast Forward SRAs total \$684,322 as of September 30, 2024. Outstanding conditional funding commitments under these SRAs on September 30, 2024, totaled \$1,591,819, all of which is expected to be satisfied in fiscal 2026.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

NOTE 11 - RESTRICTED NET ASSETS

The Society's net assets with donor restrictions on September 30, 2024, are available for research, educational, and other purposes as follows:

Purpose	
Research and scientific studies	\$ 11,917,242
Client and community services:	
General programs and services	4,441,785
Direct financial assistance	50,000
Pediatric and family services	184,453
Professional education and training	407,322
Other services and operational support	<u>2,833,687</u>
	19,834,489
Time restriction	29,583,254
Endowment funds subject to the Society's appropriation and satisfaction of donor restrictions:	
Held in perpetuity	16,629,308
Accumulated unspent earnings	<u>7,028,022</u>
	\$ <u>73,075,073</u>

During fiscal year 2024, net assets were released following satisfaction of donor restrictions as follows:

Research and scientific studies	\$ 6,223,764
Client and community services:	
General programs and services	3,724,086
Direct financial assistance	60,000
Accumulated unspent earnings	1,727,595
Other programs and services	661,740
Professional education and training	102,658
Time restriction	<u>311,201</u>
	\$ <u>12,811,044</u>

NOTE 12 - ENDOWMENT FUNDS

The Society's endowment funds have been established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions, if any.

Interpretation of Relevant Law

In September 2010, the State of New York passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law.

The Society has interpreted relevant New York law, absent explicit donor stipulations to the contrary, to act in good faith and with care that an ordinary person in a like position would exercise under similar

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund beyond the corpus continues to be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by New York law.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds:

- 1 The duration and preservation of the endowment fund;
- 2 General purposes of the organization and its donor-restricted endowment fund;
- 3 General economic conditions;
- 4 Possible effect of inflation and deflation;
- 5 Expected total return from income and appreciation of endowment investments;
- 6 Other resources of the organization;
- 7 The investment policy of the organization; and
- 8 Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Society.

The Society's endowment consists of donor-restricted endowment funds, restricted to the following purposes as of September 30, 2024:

Marilyn Hilton MS Achievement Center	\$ 14,664,973
General operations	3,211,584
Other services and programs	2,358,799
Research	1,916,049
Direct financial assistance	<u>1,505,925</u>
Total	<u>\$ 23,657,330</u>

Return Objectives and Risk Parameters

The Society's endowment fund consists of assets that must be held in perpetuity or for specified time periods stipulated by the donors. The Society maintains investment and spending policies for its endowment assets aimed at providing predictable and steady support for the Society's research, programmatic and administrative activities. Under this policy, the endowment assets are invested in a manner intended to preserve their value consistent with such donor stipulations, minimize the effect of high economic volatility and/or low investment return and provide funding for the programs specified by the donors.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

Endowment Investment Spending Policy

The Society has adopted an investment policy for endowment assets that provides financial stability for the Society and a revenue stream for spending on the Society's programs. Under this policy, as approved by the Board of Directors, the Society relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that utilizes fixed-income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

For all endowment funds that have a value greater than their original gift, the spending rate (stated as a percentage) will be reviewed by the Investment Committee of the Society's Board of Directors and established on an annual basis. With the exception of one endowment gift, which requires a minimum annual spending rate of 3.5%, the annual spending rate on Endowed Funds held by the Society may range from a minimum of 0% to a maximum of 7%. The spending rate is applied to the five-year rolling average market value of the endowed investments. For the fiscal year ended September 30, 2024, a 0% spending rate on endowments was approved, exclusive of the endowment with the 3.5% minimum spending rate. The Investment Committee recommends the annual spending to the Finance Committee of the Board of Directors.

The following summarizes the activity of the endowment fund assets for the fiscal year ended September 30, 2024:

	With Donor Restrictions		
	Accumulated Earnings	Held in Perpetuity	Total
Year ended September 30, 2023	\$ 3,286,170	\$ 16,574,308	\$ 19,860,478
Reclassifications	-	55,000	55,000
Net realized and unrealized gains	3,942,830	-	3,942,830
Distributions	(758,347)	-	(758,347)
Advisory fees	(60,885)	-	(60,885)
Interest and dividends	618,254	-	618,254
	<u>\$ 7,028,022</u>	<u>\$ 16,629,308</u>	<u>\$ 23,657,330</u>
Year ended September 30, 2024	<u>\$ 7,028,022</u>	<u>\$ 16,629,308</u>	<u>\$ 23,657,330</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

As of September 30, 2024

Cash and cash equivalents	\$ 22,733,586
Contributions receivable, net	7,777,489
Other receivables	201,395
Investments	85,202,008
Beneficial interest in trust	<u>25,000,000</u>
Total financial assets available within one year	<u>140,914,478</u>
Less:	
Contractual, legal, or donor-imposed restrictions:	
Amounts subject to expenditure for specified purposes	(14,683,957)
Amounts subject to appropriation and satisfaction of donor restrictions	<u>(28,801,417)</u>
Total amounts unavailable for general expenditures within one year	<u>(43,485,374)</u>
Total financial assets available for general expenditures within one year	<u>\$ 97,429,104</u>

The Society is primarily supported by contributions (both with and without donor restrictions). Because donor restrictions require resources to be used in a particular manner or in future periods, the Society maintains sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity management, the Board of Directors has established guidelines for the stability reserves to consist of three to five months of operating expenses. The stability reserves, which total approximately \$38.5 million (currently approximately 2.8 months of operating expenses) as of September 30, 2024, are invested in a long-term investment strategy and can be made available for expenditure upon approval by the Board of Directors. In addition, the Society invests cash in excess of working capital requirements in short-term investments.

SUPPLEMENTARY INFORMATION

National Multiple Sclerosis Society and Affiliate
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
As of September 30, 2024

	<u>Society</u>	<u>Fast Forward LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 22,733,586	\$ -	\$ -	\$ 22,733,586
Contributions receivable, net	7,777,489	-	-	7,777,489
Contributions receivable due from Fast Forward	8,522,717	-	(8,522,717)	-
Contributions receivable due from National MS Society	-	732,264	(732,264)	-
Investments	85,047,528	154,480	-	85,202,008
Beneficial interests in trusts	25,000,000	-	-	25,000,000
Prepaid expenses and other current assets	6,128,023	686,653	-	6,814,676
Total current assets	<u>155,209,343</u>	<u>1,573,397</u>	<u>(9,254,981)</u>	<u>147,527,759</u>
Contributions receivable, net	3,216,187	-	-	3,216,187
Property and equipment, net	3,885,974	-	-	3,885,974
Operating right-of-use assets, net	9,239,016	-	-	9,239,016
Investments - donor restricted	24,804,433	-	-	24,804,433
Investments related to charitable gift annuities	2,000,648	-	-	2,000,648
Beneficial interests in trusts, net of current portion	4,509,660	-	-	4,509,660
Other non-current assets	5,934,086	-	-	5,934,086
Total assets	<u>\$ 208,799,347</u>	<u>\$ 1,573,397</u>	<u>\$ (9,254,981)</u>	<u>\$ 201,117,763</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Grants payable	\$ 24,049,274	\$ -	\$ -	\$ 24,049,274
Accounts payable and accrued liabilities	14,142,448	-	-	14,142,448
Deferred revenue	8,624,082	-	-	8,624,082
Due to Progressive MS Alliance	14,564,199	-	-	14,564,199
Due to National MS Society	-	8,522,717	(8,522,717)	-
Due to Fast Forward	732,264	-	(732,264)	-
Lease liabilities	3,766,808	-	-	3,766,808
Other current liabilities	260,469	-	-	260,469
Total current liabilities	<u>66,139,544</u>	<u>8,522,717</u>	<u>(9,254,981)</u>	<u>65,407,280</u>
Obligations to annuitants, net of current portion	1,308,174	-	-	1,308,174
Lease liabilities, net of current portion	6,784,236	-	-	6,784,236
Other non-current liabilities	125,000	-	-	125,000
Total liabilities	<u>74,356,954</u>	<u>8,522,717</u>	<u>(9,254,981)</u>	<u>73,624,690</u>
NET ASSETS (DEFICIT)				
Without donor restriction	61,367,320	(6,949,320)	-	54,418,000
With donor restriction	73,075,073	-	-	73,075,073
Total net assets (deficit)	<u>134,442,393</u>	<u>(6,949,320)</u>	<u>-</u>	<u>127,493,073</u>
Total liabilities and net assets (deficit)	<u>\$ 208,799,347</u>	<u>\$ 1,573,397</u>	<u>\$ (9,254,981)</u>	<u>\$ 201,117,763</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.

National Multiple Sclerosis Society and Affiliate

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended September 30, 2024

	<u>Society</u>	<u>Fast Forward LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue				
Public support				
Special events contributions	\$ 102,819,056	\$ -	\$ -	\$ 102,819,056
Contributed event services and goods	726,329	-	-	726,329
Total special events revenue - gross	103,545,385	-	-	103,545,385
Less: cost of direct benefits to donors	(23,558,193)	-	-	(23,558,193)
Net special events	79,987,192	-	-	79,987,192
Contributions from individuals, corporations, and foundations	46,850,702	-	-	46,850,702
Bequests and trust income	35,977,594	-	-	35,977,594
Contributed public service announcements, services, and goods	10,058,179	28,133	-	10,086,312
Total public support	172,873,667	28,133	-	172,901,800
Advertising, program fees, and other	2,178,388	-	-	2,178,388
Investment income designated for operations	3,484,388	-	-	3,484,388
Total operating revenue	178,536,443	28,133	-	178,564,576
Operating expenses				
Program services				
Research and scientific studies	29,636,721	1,599,322	-	31,236,043
Client and community services	47,323,264	-	-	47,323,264
Public education	44,215,067	-	-	44,215,067
Professional education and training	6,566,150	-	-	6,566,150
Total program services	127,741,202	1,599,322	-	129,340,524
Supporting services				
Fundraising	34,737,323	-	-	34,737,323
Management and general	14,792,270	-	-	14,792,270
Total supporting services	49,529,593	-	-	49,529,593
Total operating expenses	177,270,795	1,599,322	-	178,870,117
Change in net assets from operations	1,265,648	(1,571,189)	-	(305,541)
Non-operating activities				
Investment returns, net	17,840,434	(4,210)	-	17,836,224
Change in fair value of beneficial interest in trusts	379,089	-	-	379,089
Change in value of split-interest agreements	(75,183)	-	-	(75,183)
Other non-operating income	119,635	-	-	119,635
Total non-operating activities	18,263,975	(4,210)	-	18,259,765
CHANGE IN NET ASSETS	19,529,623	(1,575,399)	-	17,954,224
Net assets (deficit), beginning of year	114,912,770	(5,373,921)	-	109,538,849
Net assets (deficit), end of year	\$ 134,442,393	\$ (6,949,320)	\$ -	\$ 127,493,073

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.